

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye  
Marshall Johnson  
Ken Nickolai  
Thomas Pugh  
Phyllis A. Reha

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of Otter Tail Power Company's  
2005 Integrated Resource Plan

ISSUE DATE: February 20, 2007

DOCKET NO. E-017/RP-05-968

ORDER POSTPONING DECISION ON  
MERITS, EXTENDING FILING DATE,  
AND AMENDING PRIOR ORDER

**PROCEDURAL HISTORY**

On June 30, 2005, Otter Tail Power Company (OTP or the Company) filed its 2005 proposed resource plan, covering the period 2006-2020.

On August 9, 2006, the Commission issued its ORDER DEFERRING CONSIDERATION OF OTP'S RESOURCE PLAN, DIRECTING UPDATED INFORMATION, ALLOWING COMMENT, FINDING GOOD FAITH REO EFFORTS AND DIRECTING NEXT RESOURCE PLAN FILING. In this Order, the Commission deferred consideration of whether to approve, reject or modify the Company's proposed Resource Plan. The Commission also required OTP to submit supplemental information based on modeling re-runs, using updated cost figures for the Big Stone II project and starting from the modeling adjustments included in the Company's May 1, 2006 reply comments. The Commission also indicated that the Company should file its next resource plan before or simultaneous with the rate case it plans to file in 2007.

On October 26, 2006, the Commission issued its ORDER DENYING RECONSIDERATION, in response to a petition filed by the Izaak Walton League of America-Midwest Office, Fresh Energy, the Union of Concerned Scientists, and the Minnesota Center for Environmental Advocacy (the Joint Intervenors).

Also on October 26, 2006, OTP submitted supplemental information, responding to requirements in the Commission's August 9, 2006 Order.

On November 15, 2006, the Department of Commerce (Department) and the Joint Intervenors each filed supplemental comments in response to the Company's October 26 filing.

On November 29, 2006, Otter Tail filed reply comments.

The Commission met on January 25, 2007 to consider this matter.

### **FINDINGS AND CONCLUSIONS**

In this interim Order, the Commission approves an agreement between OTP and the Department, as modified and clarified herein, addressing

- 1) the timing of the Commission's final decision on the merits of Otter Tail Power Company's 2005 resource plan;
- 2) the date by which the Company must file its next resource plan;
- 3) when the Company should file its forecast regarding that resource plan with the Department; and
- 4) whether the amount of wind generation the Company is authorized to pursue is increased from 75MW to 160MW.

The Joint Intervenors and the Residential and Small Business Utilities Division of the Office of the Attorney General (RUD-OAG) did not join in the proposal, but commented upon the parties' proposal at the hearing, sought clarification of it, and did not oppose it.

The four elements of the agreement are addressed as follows.

#### **I. Decision on the Merits of the 2005 Resource Plan**

In a related pending docket, OTP has petitioned for a Certificate of Need to construct transmission facilities in Minnesota to bring coal-fired generation from the Big Stone II facility to customers in Minnesota.<sup>1</sup> The issues in that docket and the current resource planning docket are sufficiently interrelated to support the parties' proposal that the Commission not make a final decision regarding the Company's 2005 Resource Plan at this time. Consequently, the parties recommended and the Commission agrees that consideration of the merits of the Company's resource plan should be postponed for now and should occur when the Commission considers the merits of the Certificate of Need docket.

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<sup>1</sup> Docket No. E-017, ET-6131, ET-2,ET-6730, E-252,ET-10, ET-9,ET-6444/CN-05-619.

In explaining their support for the parties' proposal on this point, the Joint Intervenors and the RUD-OAG emphasized their understanding that postponing consideration of the Company's 2005 Resource Plan to a future meeting at which the Commission would consider the Resource Plan contemporaneously with the Certificate of Need docket preserves to that future meeting all arguments regarding insufficiency of the Resource Plan and does not imply Commission approval, tentative or otherwise, of the Company's Resource Plan or the need for the Big Stone II transmission project.

The Commission finds that the parties' proposal is reasonable and will approve it. The Commission also clarifies, in response to the concerns expressed by the Joint Intervenors and the RUD-OAG cited above, that postponing consideration of the Resource Plan implies nothing regarding the Commission's view of the merits of the Resource Plan or the need for the proposed Big Stone II transmission lines.

## **II. The Company's Next Integrated Resource Plan**

In its August 9, 2006 Order, the Commission directed OTP to file its next Resource Plan before or simultaneous with the rate case that it plans to file in 2007. The Company stated that it intends to file its rate case on October 1, 2007 and noted that in light of the extended and as yet uncompleted consideration of its 2005 Resource Plan, filing the 2007 Resource Plan simultaneously with the rate case on October 1, 2007 would be difficult.

OTP requested that the Commission extend the filing date for the Company's next Resource Plan to April 1, 2008. The Department agreed and the Joint Intervenors and the RUD-OAG did not object to this proposal.

The Commission finds that under the circumstances extending the filing date for OTP's next Resource Plan to April 1, 2008 is appropriate and will do so.

## **III. Energy and Peak Demand Forecast**

The Department requested that OTP file its energy and peak demand forecast by July 1, 2007. The Company agreed and no party objected.

The Commission finds that the parties' agreement is reasonable and will direct OTP to abide by it.

## **IV. Amount of Wind Generation Authorized**

In its August 9, 2006 Order in this matter, the Commission stated:

4. The wind portion of the Company's proposed Resource Plan is approved, thereby allowing the Company's RFP process for up to 75 MW wind generation to go forward.

OTP stated that it would like to pursue an amount of wind generation in excess of 75 MW. The Company expressed its concern that potential funding sources may interpret the Commission's August 9, 2006 Order (quoted above) as placing a cap on the amount of wind the Company is entitled to secure, thereby decreasing the chances that those funding sources would provide financing for projects that exceed the perceived 75 MW "cap." The Company requested, therefore, that the Commission amend its August 9, 2006 Order to authorize "up to 160MW" wind generation.

The Joint Intervenors and the Department stated that the Company already has authority, pursuant to the renewable energy objectives (REO)<sup>2</sup> and community-based energy development (C-BED)<sup>3</sup> statutory requirements, to exceed the 75 MW level mentioned in the Commission's Order and that the requested change was unnecessary. Having made that clarification, however, the Joint Intervenors and the Department also stated that they had no objection to the Company's request if that would help the Company advance beyond the 75 MW level.

The Commission notes that in its Order, the phrase "for up to 75 MW wind generation" modifies the amount actually sought in the Company's RFP and was not intended to imply that the Company was not authorized to secure amounts beyond that level without Commission approval. The Joint Intervenors and the Department are correct that REO and C-BED requirements obviate the need for specific Commission approval to proceed beyond the 75MW level.

Nevertheless, the Company has cited a potential impediment to securing financing for wind generation above the 75MW level and the Commission will therefore remove that impediment by granting the Company's request. The Commission will amend Order Paragraph 4 of the August 9, 2007 Order to replace the phrase "up to 75 MW" in Order Paragraph 4 to "up to 160 MW," as follows:

4. The wind portion of the Company's proposed Resource Plan is approved, thereby allowing the Company's RFP process for up to ~~75~~ 160 MW wind generation to go forward.

The Commission further clarifies that the 160 MW amount established in this Order is not an upper limit on the amount of wind the Commission will ultimately find appropriate to authorize in this docket.

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<sup>2</sup> Minn. Stat. § 216B.1691.

<sup>3</sup> Minn. Stat. § 216B.1612.

## **ORDER**

1. A final decision on the merits of Otter Tail Power Company's 2005 resource plan in this docket is postponed until the Commission considers Docket No. E-017 et al./CN-05-619 on the merits.
2. The filing date for the Company's next Integrated Resource Plan (IRP) is extended to April 1, 2008.
3. OTP shall file its energy and peak demand forecast with the Department of Commerce by July 1, 2007.
4. The Commission's August 9, 2006 Order is amended to read as follows:
  4. The wind portion of the Company's proposed Resource Plan is approved, thereby allowing the Company's RFP process for up to 160 MW wind generation to go forward.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

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